

INCOMING TELEGRAM

Department of State

ACTION COPY

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30-39-H

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Action

Control:

7399

Rec'd:

December 13, 1961
12:05 p.m.

E

FROM: DJAKARTA

Info

SS

SR

TO: Secretary of State

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NO: 1035, DECEMBER 11

FE

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PRIORITY

CU

USIA

A-33; A-39.

INR

AGR

TODAY RECEIVED GOI COUNTER PROPOSALS THREE-YEAR TITLE I
PL480 PROGRAM. GOI HOPEFUL NEGOTIATIONS CAN BE COMPLETED
AND AGREEMENT SIGNED DECEMBER 20. GOI AGREES DRAFT LOAN
AGREEMENT WITH 4 PERCENT INTEREST AND 40 YEAR REPAYMENT
SCHEDULE. COUNTER PROPOSALS ARE:

BOB

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CEA

XMB

FRB

TRSY

WHM

RMR

ARTICLE I:

SECTION 1 LAST LINE: ADD "MINIMUM" BEFORE "AMOUNTS."

INCREASE WHEAT FLOUR TO \$22.5 MILLION; REDUCE TOBACCO TO
\$7.5 MILLION; INSERT VEGETABLE OILS \$30.0 MILLION; INCREASE
OCEAN TRANSPORTATION TO \$17.5 MILLION; INCREASE TOTAL TO
\$130.3 MILLION

SECTION 2, FIRST PARA: INCREASE WHEAT FLOUR TO \$7.5 MILLION;
DECREASE TOBACCO TO \$2.5 MILLION; INSERT "\$10.0 MILLION FOR
VEGETABLE OILS," AFTER "TOBACCO,".

SECOND PARA: DELETE "AND" AFTER "COTTON" AND INSERT COMMA.
AFTER "WHEAT FLOUR" ADD, "TOBACCO AND VEGETABLE OILS".

ARTICLE II:

SECTION 1: DELETE "(S)" AND INSERT "(R)".#

MESSAGE CENTER
CONTROL

DEC 13 1961

IN OUT

(2)

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ACTION ASSIGNED TO: <i>E. Estacion</i>		ACTION TAKEN: <i>Accepted</i>	
NAME OF OFFICER: <i>CSD</i>		DATE OF ACTION: <i>12/15/61</i>	
OFFICE SYMBOL: <i>CSD</i>		DIRECTIONS TO RM/R: <i>File</i>	

DECLASSIFIED

Authority *NND 949570*
By *GP* NARA Date *8/4/00*

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-2- 1035, DECEMBER 11 FROM DJAKARTA

DELETE SECTION 3. CHANGE SECTION 4 TO 3 AND IN NEW SECTION 3 CHANGE 42 1/2 PERCENT TO 85 PERCENT AND IN SECOND PARA DELETE "GRANT OR" AFTER "RUPIAH FOR".

IN NOTE RE RUPIAH USES SECTION 1 DELETE LAST PARA RE INTERNATIONAL TRAVEL.

GOI CLAIMS SECTION 104(S) AND CLAUSE RE INTERNATIONAL TRAVEL RUN COUNTER TO LAWS OF INDONESIA. 104(S) ALSO POLITICALLY UNTE-
NABLE IN VIEW GOI'S TOURISM DRIVE TO EARN FOREIGN EXCHANGE WHICH
SO SHORT. IN ADDITION, LEGAL PROHIBITION USE RUPIAH FOR FOREIGN
TRAVEL. GOI CANNOT AGREE TO INTERNATIONAL TRAVEL CLAUSE WHICH
IN EFFECT OPEN-ENDED SINCE DOES NOT SPECIFY AMOUNT NBWEZN##
EXCHANGE INVOLVED.

GOI FEELS STRONGLY USUAL IMPORT REQUIREMENT OF 105,000MT FOR
WHEAT FLOUR TOO HIGH VIEW CURRENT FOREIGN EXCHANGE POSITION,
THEY REQUEST MORE REALISTIC AND LENIENT VIEW WHEAT FLOUR USUAL
MARKETINGS BASED ON FOREIGN EXCHANGE AVAILABILITIES. (EMBASSY
SUPPORTS REDUCTION ON BASIS (A) TOO HIGH AND (B) GOI SERIOUSLY
SHORT EXCHANGE.)

REDUCTION ANNUAL QUANTITY TOBACCO BASED ON UNFAVORABLE DOLLAR
VALUE COMPARISON WITH RICE AS IN "SANGAND-PANDANG" PROGRAM
TOBACCO SHOULD RECEIVE LESS EMPHASIS THAN FOOD. THEY HOPEFUL
INSERTION WORD "MINIMUM" WILL HELP REMOVE THIS PROBLEM AND EASE
WAY FOR SUPPLEMENTAL PURCHASES.

DAIRY, POULTRY AND FRUIT PRODUCTS TO BE CONSIDERED IN POSSIBLE
SUPPLEMENT.

EMBASSY RECOMMENDS APPROVAL ABOVE MODIFICATIONS AND REQUESTS
AUTHORITY SIGN AGREEMENT NOON DECEMBER 20.

JONES

RJT

CONFIRMED AS (Q)

##AS RECEIVED. WILL BE SERVICED UPON REQUEST
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NOTE: MESSAGE DELAYED IN TRANSMISSION

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Authority NND 949570
By GA NARA Date 8/4/00

INCOMING TELEGRAM

Department of State

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Action

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Control: 6852
Rec'd: Dec. 12, 1961
8:40 a.m.AGR
Info

FROM: DJAKARTA

FE
E
COM

TO: Secretary of State

NO: 1037, DECEMBER 12, 2:00 P.M.

RMR

AGRICULTURE FROM WINBERG.

GOI REQUESTED \$10.0 MILLION VEGETABLE OILS ANNUALLY IN THREE-YEAR TITLE I PL 480 AGREEMENT. THEY URGENTLY REQUEST SAMPLES AND QUOTATIONS, C&F INDONESIAN PORT IN USED DRUMS OF VEGETABLES OILS AVAILABLE UNDER TITLE I, INCLUDING PEANUT OIL. HAVE FORWARDED GOI THE QUOTATIONS CONTAINED ZV.22 GUIDE TO US COMMERCIAL SALES. SUGGEST SEND SAMPLES VIA AIRMAIL.

ALSO, IF SOYBEANS ARE AVAILABLE UNDER PL 480, THEY REQUEST QUOTATIONS C&F INDONESIAN PORT, AS LOCAL CRUSHING PLANTS, UTILIZING COPRA, ARE SHORT OF RAW MATERIALS.

JONES

OKY

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NAME OF OFFICER	DATE OF ACTION	
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By NARA Date 8/4/00

INCOMING TELEGRAM

Department of State

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Action
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Control: 8553
Rec'd: Dec 14, 1961
10:27 am

Info
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USIA
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CIA

FROM: DJAKARTA

TO: Secretary of State

NO: 1057, DECEMBER 14, 4 PM

PRIORITY

EMBTel 1035-611.9841

MESSAGE CENTER
CONTROL

DEC 14 1961

OUT

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GOI TODAY REQUESTED FOLLOWING ADDITIONAL CHANGES COMPOSITION
THREE-YEAR TITLE I PL 480 PROGRAM: DELETE ALL REFERENCES TO
VEGETABLE OILS; INCREASE TOBACCO TO \$10.0 MILLION AND 1962 PA TO
\$3.333; AND INCREASE RICE TO \$25.0 MILLION AND 1962 PA TO \$10.0
MILLION.

IN ARTICLE 1: SECTION 1, INCREASE RICE TO \$25.0 MILLION;
INCREASE TOBACCO TO \$10.0; DELETE VEGETABLE OILS; REDUCE OCEAN
TRANSPORTATION TO \$13.5 MILLION. NEW TOTAL \$107.3.

RMR

SECTION 2: INCREASE RICE TO \$10.0; TOBACCO TO \$3.333; INSERT
"AND" BEFORE TOBACCO; DELETE VEGETABLE OILS. IN SECOND PARA
DELETE "AND VEGETABLE OILS" AND INSERT "AND" BEFORE TOBACCO."

RICE INCREASE REQUESTED BY FIRST DEPUTY FIRST MINISTER
DR. LEIMENA WHO FEELS PL 480 PROGRAM MUST INCLUDE MINIMUM
\$25.0 MILLION FOR THREE YEARS WITH \$10.0 EACH FOR FIRST AND
SECOND YEARS AND \$5.0 MILLION FOR THIRD YEAR. IN VIEW CURRENT
RICE SHORTAGES THE MINIMUM APPROVED BY US TOO LOW EFFECTIVELY
GIVE CONFIDENCE GOI MEETING RICE PROBLEM WITH US ASSISTANCE.
GOI EVEN PREFERS INCLUSION CLAUSE STATING \$16.5 MILLION ABSOLUTE
MINIMUM BUT DEPENDING ON SUPPLIES US WILL DELIVER \$25.0 MILLION
OR MORE.

VEGETABLE OILS MAY BE REQUESTED IN SUPPLEMENT. DELETION
BASED ON INSUFFICIENT INFORMATION RE SOYBEAN OIL; QUESTIONS RE

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ACTION ASSIGNED TO	ACTION TAKEN	DATE OF ACTION	DIRECTIONS TO RM/R
E	deleted 624	12/15/61	File
NAME OF OFFICER & OFFICE SYMBOL			

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Authority NND 949570
By GPO NARA Date 8/4/00

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-2- 1057, DECEMBER 14, 4 PM, FROM DJAKARTA

ADAPTABILITY AND UTILIZATION, LACK OF REQUESTS AND CLEARANCES
OTHER GOVT AGENCIES AT THIS TIME FOR VEGETABLE OILS, EFFECTS
ON DOMESTIC CRUSHING MILLS, ETC.

EMBASSY STRONGLY RECOMMENDS INCREASING RICE TO \$25
MILLION IF AVAILABILITIES PERMIT.

GOI STILL HOPEFUL SIGN AGREEMENT NOON DECEMBER 20. REPLY
AND CONFIRMATION FINAL TEXT AGREEMENT REQUESTED PRIORITY.

JONES

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Authority NND 949570
By CP NARA Date 8/4/00

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

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1961 DEC 15 PM 6 20

Classification

Origin

ACTION: DJAKARTA

NIACT

624

Info:

Embels 1035, 1037, 1057 - 611.984/12-1461

07459

Djakarta 624

611.984/12-1461

GOI request for additional wheat and rice creates serious problems here.

Increase in wheat flour request, particularly when taken in conjunction request for reduction usual marketings, will require careful interagency consideration and, eventually, third country consultations (This connection, acceptability wheat flour increase from \$11 million to \$15 million requested D-197 was conditional on GOI agreement accept 105,000 MT usual, as stated A-33. In view continued GOI opposition this usual, we cannot offer more than \$11 million flour pending full review Indonesia's requirements and her intentions and capabilities re commercial purchases. Would be contrary established PL 480 policy put more than \$11 million Title I wheat into Indonesia next three years if this amount plus usuals significantly exceeded her absorptive capacity.)

Request for increased rice also poses difficult problem in view limited availability Title I rice, sensitivity Southeast Asia rice exporting countries, who must be consulted. New tobacco request will also require third country consultations. There is not even remote possibility necessary action these requests could be completed in time permit signing December 20.

②

Drafted by: FAS:ARollefson
OR:CSG:CPetro/12/15/61
Clearances: FAS:Mr. Kross
AID:Mr. Burgess(subs)
AID:Mrs. Bittermann

Telegraphic transmission and classification approved by: H. M. Gabbard
SFA:Mr. Jarvis
TRSY:Mr. Nelson
L/E:Mr. Bilder(subs)

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FORM DS-322

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Authority NND 949570
By NARA Date 8/4/00

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Therefore, strongly urge you make every effort obtain GOI assent to signing program on present basis (i.e., with wheat flour and rice requests and wheat flour usual marketing at original levels and without tobacco). Agreement can be amended later include tobacco as well as poultry, dairy products and fruit. If we later find it possible make requested changes wheat flour and rice, this could also be accomplished by amendment.

Hereby acknowledge withdrawal in Embtel 1057 of oil request made in Embtel 1037. Re Embtel 1037, soybeans not eligible Title I.

Re Embtel 1035, you may eliminate 104(s) from paragraph 1 of Article II your discretion if you satisfied its ~~inclusion~~ inclusion would constitute serious obstacle to conclusion agreement. You also authorized drop paragraph on international travel in Section 1 Enclosure 3 W-12. You already authorized by A-33 to delete grant component from Article II.

We prepared ~~amendment~~ authorize signing December 20 on foregoing basis. Article I draft sales agreement ~~is~~ should be changed show new three-year totals as follows: rice, \$19.5 million (quantity remains 150,000 MT; change due price increase); wheat flour \$11.0 million; cotton ^{domestic} ~~processing~~ processing, \$19.8 million; cotton third country processing, \$16.5 million; ocean transportation, \$5.4 million; total \$72.2 million. Make appropriate changes paragraph 2 Article I.

Advise soonest if GOI prepared sign this basis.

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Action
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Control: 10197
Rec'd: DEC. 16, 1961
3:31 a.m.

Info
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FROM: DJAKARTA
TO: Secretary of State
NO: 1074, DECEMBER 16, 1 PM
NI ACT
REFERENCE: DEPTTEL 624

THOUGH UNABLE CONTACT GOI OFFICIALS UNTIL MONDAY MORNING ANTICIPATE GENUINE PROBLEMS OVER WHEAT FLOUR AND TOBACCO. BELIEVE BALANCE ACCEPTABLE TO GOI. LARGE REDUCTION THEIR WHEAT FLOUR REQUEST AND MAINTENANCE 105,000 METRIC TON NORMAL MARKETING REQUIREMENT ESPECIALLY IN VIEW FOOD SHORTAGES (AND COMPLAINTS NOT SUFFICIENT FOOD IN PROGRAM) UNTENABLE. SUGGEST IF NECESSARY REGRET THAT CANNOT LOWER NORMAL MARKETING REQUIREMENT AND MAINTAIN ORIGINAL OFFER OF \$15.0 MILLION. THEN LET GOI MAKE DECISION. UNREALISTICALLY HIGH REQUIREMENT MAY HAVE EFFECT FORCE GOI GO WITHOUT PL 480 WHEAT FLOUR ESPECIALLY IN VIEW STRINGENT FOREIGN EXCHANGE SITUATION AND RESULT WILL BE LESS FLOUR PURCHASED, DOMESTIC FLOUR SHORTAGES WITH NO BENEFIT TO TRADITIONAL SUPPLIERS INCLUDING US DOLLAR SALES.

TOBACCO REQUEST MADE BASIS FOURTH PARA INSTRUCTION A-33 WHICH STATED US WILLING PROGRAM UP TO \$15.0 MILLION BASIS THREE YEARS. GOI NOW REQUESTING 10.0 MILLION. NO THIRD COUNTRY CONSULTATIONS COULD BE INVOLVED AS WITHOUT PL 480 NO TOBACCO WOULD BE IMPORTED AND USA HAS BEEN TRADITIONAL MARKET.

PRECEDENT ESTABLISHED FOR TOBACCO IN NOVEMBER 5, 1960 AGREEMENT EMBASSY STRONGLY RECOMMENDS THAT \$10.0 MILLION TOBACCO FOR THREE YEARS BE INCLUDED THIS AGREEMENT.

BELIEVE GOI WILL RELUCTANTLY ACCEPT RICE SITUATION. EMBASSY GIVES HIGHEST PRIORITY TO SIGNING DECEMBER 20 BUT ALSO RECOMMENDS FOLLOWING INCREASES TO PENULTIMATE PARA REFTTEL: WHEAT FLOUR TO \$15.0 MILLION; TOBACCO \$10.0 MILLION; OCEAN TRANSPORTATION TO \$7.0 MILLION. TOTAL TO \$87.8 MILLION. REQUEST REPLY NI ACT, IF POSSIBLE, PRIOR MEETINGS GOI OFFICIALS. REPRODUCTION FROM THIS COPY IS PROHIBITED UNLESS "UNCLASSIFIED"

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By NARA Date 8/4/00

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SENT TO: ACTION: Amembassy: DJAKARTA - NIACT 628

Info:

Embtel 1074

Tobacco consultation is with Rhodesia, which we consult on all Title I PL 480 tobacco sales. Since Rhodesia has no market Indonesia, consultation pro forma and we anticipate favorable reply. Until reply received, however, cannot authorize signature agreement if tobacco included.

As stated before, interested agencies have no objection \$15 million wheat flour provided GOI accepts usual marketing requirement 105,000 MT. But cannot authorize this amount until Canada and Australia consulted. As in case tobacco, cannot possibly complete this consultation in time permit signing December 20.

If GOI and Embassy consider December 20 signing essential, you should propose signing basis specified Deptel 624 with understanding tobacco could be added by amendment short time thereafter and flour increased to \$15 million, also by amendment, if consultations successful.

If GOI unwilling sign without inclusion tobacco and with ~~wheat~~ flour at \$11 million, you should propose signing be delayed until tobacco consultation completed and Canada and Australia consulted on additional ~~wheat~~ flour. Expect Rhodesia's reply next few days. Prepared conduct flour consultations un-

(2)

Drafted by:

OR:CSD:CGPETROW:CGP

Telegraphic transmission and

classification approved by:

OR:CSD:Howard M. Gabbert

Clearances:

FAS:Mr Kross (subs)CGP

SPA:Mr Jarvis (subs)CGP

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Djakarta 628

611.9841/12-1661

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Authority NND 949570
By CP NARA Date 8/4/00

Page 2 of telegram to DJAKARTA

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gent basis and would hope it possible authorize signing before end of year.

This not rpt not authorization sign December 20. If GOI willing sign December 20 basis specified Deptel 624, advise soonest and request authorization sign.

BALL *Humbly up*
ACTING BALL

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Authority AND 949570
By CP NARA Date 8/4/00

INCOMING TELEGRAM

Department of State

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47-48

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Action
E

Control: 12066
Rec'd: December 20, 1961
12:32 a.m.

Info

FROM: DJAKARTA

SS

TO: Secretary of State

SR

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NO: 1084, DECEMBER 19, 5 PM

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DEPTELS 624, 628. -611.9841

WHEN PROPOSALS CONTAINED REFTELS LAID BEFORE ECONOMIC DIRECTORATE GROUP HEADED BY PONSEN, HE REACTED WITH SUCH VIOLENCE AS TO SUGGEST POSSIBILITY HE UNDER INSTRUCTION TO BREAK OFF NEGOTIATIONS FOR REASONS WHICH EMBASSY CAN ONLY SURMISE.

AFTER LISTENING TO DETAILED EXPLANATION BY ECONOMIC COUNSELOR, AGRICULTURAL ATTACHE, PONSEN SUDDENLY DECLARED IN LOUD VOICE THAT IF DECISION ON PL480 PROGRAM UP TO HIM HE WOULD REJECT. CHARGED U.S. PLAYING "CAT AND MOUSE GAME" WITH GOI, SHOWED "LACK GOOD WILL" AND "BAD FAITH." SAID HE WAS ONLY FOLLOWING ORDERS, HOWEVER, AND COULD NOT PREDICT WHAT GOI POSITION WOULD BE. WHEN ECONOMIC COUNSELOR INQUIRED AS TO BASIS THIS ASSERTION PONSEN DID NOT RESPOND EXCEPT TO SIGNIFY END OF MEETING BY GATHERING UP HIS PAPERS.

COMMENT:

SINCE MORE THAN TWENTY-FOUR HOURS HAVE NOW ELAPSED SINCE PONSEN OUTBURST WITH NO MOVE TO INITIATE FURTHER DISCUSSIONS, EMBASSY BELIEF POSSIBILITY PONSEN'S REMARKS MADE DELIBERATELY HAS BEEN STRENGTHENED.

FOR TIME BEING, OUR BEST POSTURE WOULD SEEM TO BE TO REFRAIN FROM ANY INITIATIVE, WHICH MIGHT PRODUCE NEW REBUFF.

IN MESSAGE CENTER
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Authority NND 949570
By GPO NARA Date 8/4/00

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-2- 1084, DECEMBER 19, 5 PM FROM DJAKARTA

GOI SEEKS BREEZE AHEAD WITH SIGNING ON ORIGINAL SCHEDULE,
MY PRESENT INCLINATION IS FIND TIME INCONVENIENT,
PENDING OPPORTUNITY TO EXPLORE MORE FULLY NATURE OF PONSEN'S
ATTITUDE.

IN ANY EVENT, PROSPECTS SIGNING AGREEMENT BY DECEMBER 20
APPEAR DIM.

JONES

MCM

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Authority NND 949570
By CP NARA Date 8/4/00

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INCOMING TELEGRAM

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Department of State

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Action

Control:

12880

E

Rec'd:

December 21, 1961
7:16 AM

Info

FROM: DJAKARTA

SS

TO: Secretary of State

SR

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NO: 1101, DECEMBER 21, 2 PM

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EMBTEL 1084 1211.9841
INDICATION FONDEP PREPARED CONTINUE RELATIONS AS USUAL WITH EMBASSY PROVIDED BY NO. 2 OFFICIAL ECON DIRECTORATE WHO TELEPHONED AG ATTACHE DECEMBER 21. OPENED CONVERSATION WITH RHETORICAL QUESTION "HAVE YOU ANY GOOD NEWS?" AG ATTACHE SAID WE ARE WAITING FOR NEWS FROM GOI. OFFICIAL THEN SKIRTED MULTI-YEAR PROGRAM AND ASKED QUESTION CONCERNING LETTER HE HAD RECEIVED FROM MANILA FROM BUSINESSMAN OFFERING SUPPLY CAPITAL GOODS FROM US UNDER PL 480. AG ATTACHE DISMISSED THIS AS IMPOSSIBLE WHEREUPON OFFICIAL AGAIN TOUCHED ON MULTI-YEAR PROGRAM BY SAYING "I THINK WE WILL RESOLVE THIS MATTER LATER."

OBVIOUSLY DIFFICULT TO ASCRIBE ANY DEEP SIGNIFICANCE ABOVE EXCHANGE EXCEPT FOR FACT FONDEP OFFICIAL TOOK INITIATIVE CALL EMBOFF. SINCE DECEMBER 20 DATE FOR SIGNING AGREEMENT HAS NOW LAPSED, EMBASSY WILL AWAIT FURTHER INITIATIVE FROM GOI.

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24
INCOMING TELEGRAM

Department of State

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Action

Control: 14008

AID

Rec'd: December 22, 1961
5:30 pm

Info

FROM: DJAKARTA

SG

TO: Secretary of State

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SP

NO: 1112, DECEMBER 22, NOON

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JOINT EMBASSY/AID MESSAGE

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FE

(A) TOAID 249 (B) EMBTEL 1051 (C) EMBTEL 1084

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RMR

DJUANDA HAS REQUESTED WE DEFER SIGNING AID CONSULTANT SERVICES CONTRACT FOR TWO TO THREE MONTHS ALSO SHELVE PEACE CORPS FOR TIME BEING IN VIEW SUKARNO'S "DARK MOOD" OVER WNG. THIS FIRST CLEAR-CUT INDICATION DEVELOPMENTS WNG ISSUE IMPEDING US PROGRAMS. DJUANDA'S CHIEF FINEC REPORTED DEVELOPMENTS ON CONSULTANT CONTRACT AND PEACE CORPS TO ACTING DIRECTOR USOM DECEMBER 20. NO DOUBT DESPITE PRESIDENT'S COMPARATIVELY MODERATE SPEECH ON WNG DECEMBER 19 HE STILL HIGHLY EXERCISED ON SUBJECT (NOTE SOEBANDRIO'S COMMENTS TO AMBASSADOR ON PRESIDENT'S MOOD, EMBTEL 1051.) IT OF COURSE HIGHLY UNLIKELY DJUANDA WOULD PROPOSE DELAY ON PROJECT HE PERSONALLY HAS SUPPORTED TO HILT WITHOUT DEFINITE INDICATION FROM PRESIDENT, HIMSELF, TO GO SLOW. NO DOUBT WE MAY EXPECT FURTHER SLOWDOWNS, UNEXPLAINED DELAYS OTHER ON GOING PROJECTS WHILE WNG TENSIONS CONTINUE.

DESPITE FOREGOING AID WILL CONTINUE WITH NEGOTIATIONS TO HAVE CONTRACT READY FOR SIGNING AS DESIRED BY DJUANDA. THEREFORE REQUEST EXPEDITE FORWARDING REMAINDER OF CONTRACT PER PARA 3 OF REFTEL A.

JONES

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OUTGOING TELEGRAM Department of State

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☐ CHARGE TO

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Classification

1961 DEC 29 PM 8 09

13286

Origin

ACTION: Amembassy DJAKARTA PRIORITY

Info:

JOINT STATE/AID MESSAGE

Embtel 1112.

Washington agencies aware seriousness ~~WNG~~ WNG crisis and its ill effects upon GOI economic decision making. Nevertheless, delay of 2-3 months in signing consultant services contract due to Indonesian position would likely result in longer delay because of necessity administrative work on this end. Request Ambassador inform Djuanda that US considers contribution we can make to fulfillment 8-year plan a most important element in furthering Indonesian U.S. relations. As we expect to have report of Humphrey team very shortly we believe we must move ahead now. Ability of U.S. to act promptly as we wish to do will depend in part on establishment of consultant services. Bell has already started recruiting qualified U.S. resident team members. To get the best qualified personnel is time consuming process. If he has to stop recruiting and possibly release some people already lined up to initiate new recruiting program three months hence could result in even further delay. Even after contract is signed, minimum 6 to 8 weeks required for security clearances and other administrative procedures before team members can arrive Indonesia.

AID will pouch proposed contract next week with hope GOI will sign Bell contract soonest.

Drafted by: J. Bell/AID:AA/FE-JSB:12/28/61

Telegraphic transmission and classification approved by:

FE - Avery F. Peterson

Clearence: AID-Mr. Fowler

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**OUTGOING
AIRGRAM**

Department of State

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Classification

Dec 22 6 25 PM '61

Djakarta 44
for use 270

Origin
E-13
Info
RMR-1
AID-20
FE-7
AGR-20

NO. A-44,

SENT TO: Amembassy DJAKARTA

Page ____ of ____ Pages

rc
Your A-262; Deptel 421

Cannot consider GOI request for 104(e) grant of 37 1/2 percent proceeds October 26, 1961, Title I PL 480 Agreement until Embassy has submitted justificatory material in support of request as required by ICATO XA-414 of November 25, 1959. This material needed for use in application for Presidential waiver.

BALL, ACTING

BALL
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611.9841/12-2261

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(2)

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Drafted by:
OR:CSD:CGPetro:CGP

Airgram transmission and
classification approved by: OR:CSD:Mr. Mallan

Clearance:
FAS:Mr Kross (subs) AID:Mr Burgess ED:Mr Schmeisser
SPS:Mr Thrasher

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Department of State

ACTION COPY

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39-H

CONFIDENTIAL

Action

Control: 17519

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Rec'd:

DEC 30, 1961

Info

FROM: DJAKARTA

TO: Secretary of State

SS

NO: 1148, DECEMBER 30, 3 PM

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PRIORITY

EMBTel 1084

DEPUTY PRIME MINISTER LEIMENA SUMMONED ME THIS MORNING TO DISCUSS 3-YEAR PL-480 PROGRAM AND MADE A STRONG APPEAL FOR US TO GIVE HIM SOMETHING WHICH WOULD HELP OFFSET "THUNDER ON THE LEFT."

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COMPLETION OF CENSUS WHICH REVEALED INDONESIA HAD A POPULATION OF MORE THAN 96 MILLION PEOPLE, MAKING IT FIFTH LARGEST COUNTRY IN THE WORLD, MEANT THAT GOI HAD BEEN CONSISTENT UNDER ESTIMATING ITS RICE REQUIREMENTS, SINCE CONSUMPTION ESTIMATES BASED ON POPULATION ESTIMATE OF 90 MILLION. IN SHORT, SITUATION WAS DESPERATE.

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NAME OF OFFICER	OFFICE SYMBOL			

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By [Signature] NARA Date 8/4/00

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-2- 1148, DECEMBER 30, 3 PM FROM DJAKARTA

MAJOR ELEMENT IN DISTRIBUTION OF SURPLUS RICE WAS NEED AND I WAS SURE HE WOULD AGREE WITH ME THAT FAMINE CONDITIONS IN BOTH INDIA AND PAKISTAN WERE MUCH MORE SERIOUS THAN ANY PROBLEMS ENCOUNTERED BY INDONESIA IN NORMAL YEAR.

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THROUGHOUT DISCUSSION LEIMENA MADE NO REFERENCE TO ABRUPT TERMINATION 3-YEAR PROGRAM NEGOTIATIONS AT PONSSEN LEVEL. IT WAS CLEAR LEIMENA APPROACH CONSTITUTED REOPENING OF NEGOTIATIONS AND GOI DESIRE TO CONCLUDE AGREEMENT, PARTICULARLY SINCE HE REFERRED TO FACT WE BOTH HAD ORIGINALLY COUNTED ON SIGNING AGREEMENT DEC 20.

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Authority NND 949570
By CP NARA Date 8/4/00

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-3- 1148, DECEMBER 30, 3 PM FROM DJAKARTA

BARGAINING RAN -- HAD WORLD PRICE OF RICE DROPPED, INDONESIA WOULD HAVE OBTAINED RICE CHEAPER AND I WAS SURE WOULD NOT HAVE OBJECTED.

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By CP NARA Date 8/4/00

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Act: INCOMING
TELEGRAM

CONTROL: 17519

CORRECTION ISSUED:

CONFIDENTIAL 1/3/62, 10:15 AM FH

E -2- 1148, DECEMBER 30, 3 PM FROM DJAKARTA - CORRECTED PAGE 2

Info: MAJOR ELEMENT IN DISTRIBUTION OF SURPLUS RICE WAS NEED AND I
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00705

Origin

ACTION: Amembassy DJAKARTA

NIACT

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Info:

FOR AMBASSADOR

Suggest to extent possible during travel with President you maintain contact with Embassy in case present efforts to provide some favorable response your 1148 materialize.

611.9841/12-3061
Park
(ATTN) RUSK

DJAKARTA 692 611.9841/12-3061

Microfilmed by RM/R

Drafted by:

FE:AFPeterson;cfc 1/3/62

Telegraphic transmission and
classification approved by:

FE - Avery F. Peterson

Clearances:

SPA - Mr. Bell (substance)

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8-61 DS-322

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Authority NND 949570
By GPO NARA Date 8/4/00

DEPARTMENT OF STATE
ASSISTANT SECRETARY

42000 tons
Iran 27
Turkey 10
Columbia 15
Viet Nam 150 ←
Egypt 300
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Department of State *ms*

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Action

Control: 17519

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Rec'd: DEC 30, 1961
4:10 PM

Info

FROM: DJAKARTA

SS

TO: Secretary of State

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NO: 1148, DECEMBER 30, 3 PM

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By *CD* NARA Date *8/4/00*

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-2- 1148, DECEMBER 30, 3 PM FROM DJAKARTA

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By CP NARA Date 8/4/00

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PAGE 1 OF 2 PAGES

Date Sent: December 21, 1961

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AID-27 FROM: Amembassy, DJAKARTA

FE-7 TO: Secretary of State

Dec 29 9 25 AM '61

BJFAC-5 NO: A-296

ICR-3

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INR-8

TR-5

Apr-20 only

Com-6

CIA-16

OSD-20

Army M71

P-5
usia-15

Food Situation in parts of Java and Sumatra remains critical and further deterioration in food situation anticipated, pending harvest current rice crop. Continued food shortages due insufficient rice imports, no reserves, failure part of second rice crop, continued drought and late planting of large rice crop, limited procurement due low purchase price, plus reluctance sell in face known shortages, low purchasing power as reduced income from second crop and funds spent for food at inflated prices. Areas traditionally short of food on Java along North Coast and South Coast east of Jogjakarta hardest hit by current food shortages.

In urban areas imported rice being "injected" to maintain a ration which however insufficient meet individual requirements and must be supplemented with open market rice which for first time this season has not been available for past two days in Djakarta. Rice injected to ration shops yesterday in Djakarta. Prices of open market rice has varied from Rupiah 25 to 60 per liter. To prevent resale of rationed rice, boiled rice being distributed in some areas.

Food Board maintains has sufficient rice to meet any emergency but this claim could be made in part to prevent panic. Board does have approximately 110,000 U.S. rice enroute from U.S. financed under Title I PL 480 agreement signed October 28 and amended November 17, 1961. Thai rice being shipped. Burmese rice for ChiCom account has arrived. Any breakdown in these imports or internal distribution (such as excessive rains) could result real hardship. GCICan possibly supply food shortage areas with food (other than rice) in limited quantities from surplus food areas.

Since the time Leimena estimated 1961 rice shortfall of 100,000 tons, which was subsequently provided through PL 480, Embassy has received no official notification that food situation may be getting out of hand. Government view appears to be sufficient rice available ~~xx~~ but

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availabilities and prices disrupted by inflationary pressures and war psychosis. Sukarno's speech at Jogjakarta December 19 implied indefinite delay any military action against Dutch in West New Guinea and therefore may well result in release of hoards and in lower prices. If latter does not happen, it should be regarded as indication serious GOI miscalculation of situation and as symptom genuine shortage ~~which bound to worsen in next two to three months until wet crop is harvested.~~

~~Embassy recognizes that if serious shortfall develops emergency relief may be difficult since types of food (mainly rice) and quantities required may very well exceed U.S. resources.~~ Embassy recommends no action at moment pending clarification of market situation in wake of Sukarno's speech but wishes alert Department to possibility of real emergency here which we may be asked to alleviate.

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AGRIC:COWinberg:ECON:JW Lydman:vf
12-20-61

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DJAKARTA 694

611.9841/12-3061

Origin

ACTION: Amembassy DJAKARTA

NIACT

Embtel 1148

611.9841/12-3061

Info:

1) Additional 42,000 MT rice just made available Title 1 programming which we prepared offer Indonesia subject third country consultation. In view GOI's strong interest in maximizing value multi-year program, ~~the~~ rice being supplied first year multi-year would thus be increased to 92,000 MT. Because of delay resulting from necessity consult, however, we believe best course would be signature multi-year soonest on basis present proposal 50,000 MT rice first year with understanding agreement would be amended add additional 42,000 MT after consultation. Present understanding is that 50,000 MT for first year of multi-year would not be shipped until after August 1, 1962, when new US crop available. If foregoing proposal accepted, we prepared ship 42,000 MT of the 92,000 MT for first year immediately after signature, with balance shipped after August 1.

2) Inform GOI cannot offer more than \$15 million wheat flour and this only if GOI confirms acceptance 105,000 MT usual marketing requirement. Report soonest whether this proposal acceptable GOI in order that Canada and Australia may be consulted on increase. When considering its decision, GOI should understand we will be obliged withhold PA's if it falls seriously behind in its commercial purchases.

Microfilm by RMR

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OR: CSD:CGPetrov 1/3/62

Telegraphic transmission and classification approved by:

OR: CSD:TCMRobinson

Cleanances:

FAS: Mr. Kross

SPA: Mr. Jarvis

SEA: Mr. Ruff

AID: Mrs. Bittermann

AID: Mr. Burgess

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By

NARA Date 8/4/00

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- 3) Expect Rhodesia's reply on tobacco shortly, after which will authorize \$10 million tobacco.
- 4) Because third country consultations necessary, need know soonest whether GOI wants commodities for Asian games included in basic agreement or added by amendment.
- 5) If GOI continues be concerned that total value multi-year program less than \$100 million, you should point out third country cotton (\$16.5 million) for first year only. If similar amounts provided for second and third years by amendment, total would be well over \$100 million.
- 6) Due GOI difficulty obtaining cargo space only 16,000 tons rice from Oct 26 agreement shipped by end 1961.
- 7) You may wish inform GOI dollar figures specified in Title I agreements ~~are~~ ^{are} ~~maximum~~ ^{respective} limits for ~~commodities~~ commodities based on estimated price. Actual cost established time of each commercial transaction under PA.

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J. RUSK

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